

IFA Gives Nod to \$145 Million of RZFBs for Truck Company

By YVETTE SHIELDS

CHICAGO — The Illinois Finance Authority board advanced plans for Navistar International Corp. to borrow \$145 million using recovery zone facility bonds for its new DuPage County corporate headquarters, though the financing hinges on the successful pooling of local government bond allocations from the stimulus program.

Proceeds of the sale would finance the purchase, renovation, equipping, and construction of additions to nine existing building on an 87-acre site in the village of Lisle that was originally developed as Lucent Technologies Research Center. Some proceeds will also finance improvements to the company's distribution facilities in Joliet.

The Lisle site will serve as the company's new corporate headquarters and house its research and development facilities. Navistar — founded in 1902 as International Harvester Co. — is one of the largest truck manufacturers in the world.

The company operates 22 manufacturing and assembly facilities in North America and employs about 15,000 worldwide. It is currently headquartered in the DuPage city of Warrenville, about three miles from the new site.

Company officials announced earlier this month its intention to remain in Illinois, aided by an incentives package provided by the state. "The IFA RZFB bond financing complements the investment package provided by the state," IFA documents read.

The company intends to sell as soon as October fixed-rate, 30-year bonds that would carry its underlying rating of B1 from Moody's Investors Service and BB-minus from Standard & Poor's. Bank of America Merrill Lynch is the senior manager and Chapman and Cutler LLP is bond counsel.

"Navistar and DuPage County are actively seeking to obtain allocations from other Illinois counties and municipalities with unused RZFB allocations," IFA documents read. Gov. Pat Quinn signed legis-

issued for the fiscally challenged East St. Louis. City finances have fallen under the oversight of a special board appointed by state leaders since 1990.

To help ease mounting operating pressures, the city wants to refinance \$2.5 million from issues in 2003 and 2005 of fiscally distressed revenue bonds.

The city wants to extend repayment by four years on those maturities coming due this year.

The city still must receive the approval of Quinn's office to attach the state's moral

for the program after their designation as disaster areas due to 2008 flooding and storms.

Congress included the new category of tax-exempt bonds in the Heartland Disaster Tax Relief Act. The program allocates tax-exempt private-activity bonds for eligible projects that do not count against a state's volume cap for such bonds in affected counties in Iowa, Wisconsin, Missouri, Illinois, Indiana, Nebraska, and Arkansas. The deadline for issuing bonds is Jan. 1, 2013.

The borrower will use the proceeds to finance a portion of the costs to acquire, construct, and equip an eight-story office and residential building at KONE Court in Moline.

The city is located in Rock Island County on Illinois' western border. A portion of the space will serve as headquarters for KONE Inc., the U.S. operating subsidiary of Finland-based KONE OYJ, an elevator and escalator business.

US Bank NA will purchase the bonds directly in a sale slated for late this year. The bonds are being sold with an initial term of seven years that can be extended up to a total of 25 years.

They will be issued in a floating-rate mode with an initial weekly remarketing cycle. Greenberg Traurig LLP is bond counsel and Deloitte Tax LLP is an adviser on the transaction.

The IFA board also gave final approval to Little Company of Mary Hospital's plan to sell up to \$75 million of new-money fixed-rate bonds this fall to finance construction of a new pavilion.

The hospital, located in Evergreen Park just outside of Chicago, is rated A by Standard & Poor's. Jones Day is bond counsel and Barclays Capital is underwriter.

The board also gave preliminary approval for Provena Health to sell up to \$85 million this fall to finance various capital projects.

The system that operates six hospitals is considering issuing floating-rate bonds backed by a letter of credit. Provena is rated in the high triple-B category. JPMorgan is underwriter, Kaufman Hall & Associates Inc. is adviser, and Jones Day is bond counsel.

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lation over the summer allowing the IFA to pool unused local allocations from various federal stimulus programs for use before their expiration at the end of the year.

The recovery zone facility bond program allows some for-profit companies to sell tax-exempt bonds for qualified projects without draining a state's portion of private-activity volume cap.

The state received \$1 billion for use by local governments. Chicago received its own allocation of \$200 million and Cook County received \$197 million.

The IFA board also approved the restructuring of general obligation bonds

obligation pledge to the refunding bonds. In addition to the city's GO pledge, the debt would be secured by a pledge of the state to intercept various taxes including local income and sales taxes to repay the bonds.

The city's fiscal 2011 budget depends on the refunding to ease a revenue shortfall.

The East St. Louis Financial Advisory Authority that oversees city finances has approved refunding the 2003 maturity but has not yet acted on the 2005 maturity. The refunding will add \$246,000 in interest costs and \$340,000 for cost of issuance.

"By current refunding a single maturity of both the Series 2003 and Series 2005 bonds, thereby extending the principal repayment by four years, the city hopes to enhance its operating cash position," IFA documents read. Stifel Nicolaus & Co. is the underwriter and Chapman is bond counsel.

The IFA board also gave final approval to a \$21 million issue for KONE Centre Investment Fund LLC in a sale that is expected to be the first in Illinois to take advantage of the state's \$1.5 billion allocation for disaster-area bonds.

The state has 18 counties that qualify

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